



# Report

A PROJECT OF THE PEW CHARITABLE TRUSTS AND USC ANNENBERG SCHOOL FOR COMMUNICATION

## **Latino Labor Report, First Quarter, 2004: Wage Growth Lags Gains in Employment**

By

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## Executive Summary

Demand for Latino workers, especially recently arrived immigrants, is driving the revitalization of the U.S. labor market, but the hiring surge has not translated into wage growth. Weekly earnings for Hispanics and most other workers remain stagnant.<sup>1</sup> And, at a time when the jobs picture is considered a potentially critical element in the presidential campaign, non-citizens — Hispanics and other immigrant groups — who will have no vote in the November election are accounting for more than a quarter (28.5 percent) of the total increase in employment.

A Pew Hispanic Center analysis of the latest data from the Bureau of Labor Statistics and the Census Bureau shows that although the “jobless recovery” may have turned around, gains for Latinos have not been very widespread.<sup>2</sup> Immigrant Latinos, especially recent arrivals, have captured the most jobs. Moreover, the improved employment picture has not delivered higher wages to workers overall or to Latinos in particular. The median weekly wage for Hispanics has declined in all but one of the past eight quarters. As a result, median wages for Latinos have not only slipped backwards in recent years on an absolute basis but also in comparison to the national median wage. Although wage stagnation has affected non-Hispanic whites and African Americans as well, the Latino experience compares unfavorably to all other groups.

Entering the first quarter of 2004, Latino employment gains started to outpace the growth in the Hispanic population and labor force for the first time since January 2000. The turnaround in labor market indicators for Latinos can be traced to the middle of 2003, and those gains have now been sustained for nearly a year. Non-Hispanic workers also fared well in the past year, replicating the successes experienced by Latinos. However, while clearly beneficial, the hiring boost has not been sufficiently large to return key labor market indicators, such as the unemployment rate, to the levels they enjoyed prior to the 2001 recession. The unemployment rate for U.S.-born Hispanics, particularly for the fast-growing second generation, remains high and shows no indication of dropping. There is still slack in the labor market, as a large number of Latino workers are apparently choosing to wait on the fringes for more positive developments before returning to actively seek work. Indeed, enough such workers reentered the labor market in the first quarter of 2004 to cause the Latino unemployment rate to increase despite the large gains in employment.

Given the political significance of labor market trends this year, the Center conducted an additional analysis of the data to measure the relative gains of citizens and non-citizens. A comparison of the first quarter of 2003 to the first quarter of 2004 shows that the economy added a net total of 1.3 million new jobs.<sup>3</sup> Non-citizens captured 378,496 or 28.5 percent of those jobs. That rate of employment gains was double the rate at which the share of non-citizens in the working-age population increased (14.3 percent). In other words, employment for non-citizens grew twice as quickly as their population growth nationwide. The proportion of new jobs captured by non-citizens was also much larger than their share of overall employment (8.6 percent). Thus, the political impact of job gains may be lessened by the fact that non-citizens are benefiting disproportionately from the turnaround in the labor market.

The picture is somewhat different in the 18 so-called “battleground states” that have been the targets of intense advertising campaigns by both major political parties and that are generally considered up for grabs by the news media.<sup>4</sup> These states have taken the lion’s share of job gains, scoring nearly 75 percent of the increase from the first quarter of 2003 to the first quarter of 2004, although they encompass only 35 percent of the nation’s working-age population. In these states non-citizens accounted for 21.5 percent of the employment increase, less than their share nationwide. Moreover, the non-citizen working-age population grew faster in these states, 27.6 percent, than nationwide, and the job gains for non-citizens did not keep up with that pace of population growth. Nonetheless, the data show that in the 18 states which are expected to be closely contested in the presidential election, individuals who are not eligible to vote are capturing one out of every five new jobs.

Major findings of this report include:

- The Hispanic unemployment rate plunged from 8.2 percent in June 2003 to 6.6 percent in December 2003. It leveled off thereafter and stood at 7 percent in May 2004. The principal cause for the recent increase in the Latino unemployment rate is the rising participation of Hispanic workers in the labor market.
- The percent of the Latino working-age population that is employed or actively seeking work, or the labor force participation rate, increased from 67.7 percent in December 2003 to 69.1 percent in May 2004. The employment-to-population ratio, or the proportion of the Hispanic working-age population that is employed, also moved up from 63.3 percent to 64.2 percent over the same time period.
- The number of employed Hispanics increased by 704,779 workers from the first quarter of 2003 to the first quarter of 2004. The number of unemployed Latinos fell by 18,590 workers in contrast to an increase of 111,281 in the preceding year. Across the same time frame from 2003 to 2004, the number of employed non-Hispanics increased by 622,565 and the ranks of unemployed non-Hispanics decreased by 249,996.
- Gains in Hispanic employment are driven by recently arrived immigrants, with those who entered the country since 2000 showing an increase of 748,305 jobs from the first quarter of 2003 to the first quarter of 2004. Meanwhile, immigrants who arrived previously as well as third-generation Latinos showed net decreases in employment.
- Real weekly earnings for Latino workers in the first quarter of 2004 were lower than their level in the first quarter of 2003. Wages were also stagnant or declining for Hispanic males and construction workers, but increasing for Hispanic females and immigrant Latino workers.

This report tracks the labor market trends for Hispanics from the first quarter of 2003 to the first quarter of 2004 and is organized into four sections. The first section reviews the monthly trends in the major labor market indicators for Hispanics from January 2000 to May 2004. Section 2 analyzes changes in Hispanic employment and wages in the one-year period ending in the first quarter of 2004. Section 3 examines changes in employment by selected characteristics of Hispanic workers, and the final section presents data on the wages of Latino workers. A

comprehensive statistical profile of the Hispanic and non-Hispanic labor force is available at the Pew Hispanic Center's website ([www.pewhispanic.org](http://www.pewhispanic.org)). Those tables may be referenced for additional details on many of the points covered in the following discussion.

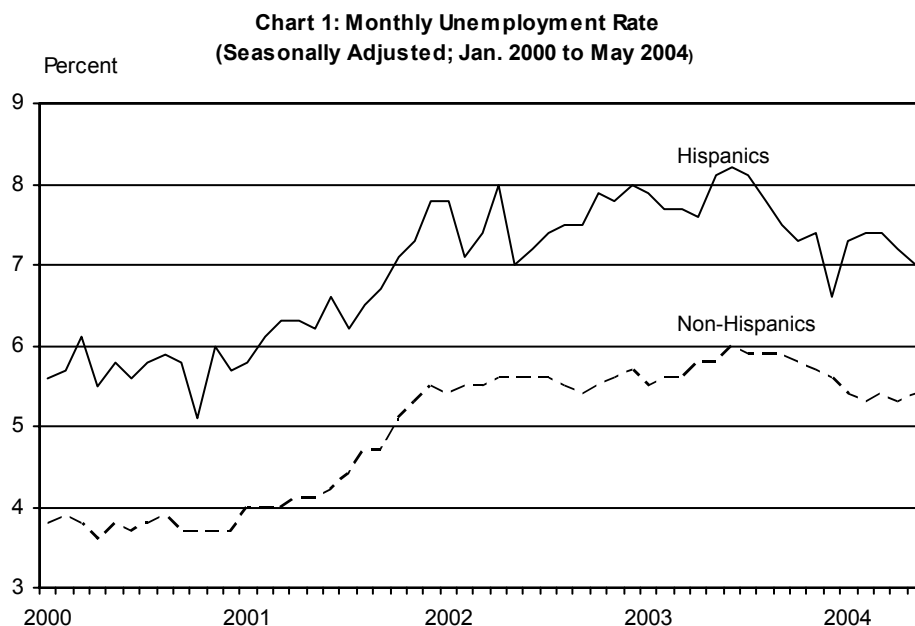
## 1. Introduction: Job Growth Accelerates

Even though the last recession ended in November 2001, employment growth for Hispanic and non-Hispanic workers did not show signs of a recovery until the middle of 2003.<sup>5</sup> After climbing steadily since 2000, the unemployment rate for Hispanics began to decline in June 2003 and fell consistently through December 2003, falling from 8.2 percent to 6.6 percent in that short time span. Despite the rapid decline, the Hispanic unemployment rate remained above its January 2000 level of 5.6 percent. Similarly, the proportion of the Latino working-age population (age 16 or over) that was employed at the end of 2003—63.3 percent—was well below the 66.3 percent of the Hispanic working-age population that was employed at the start of 2000.

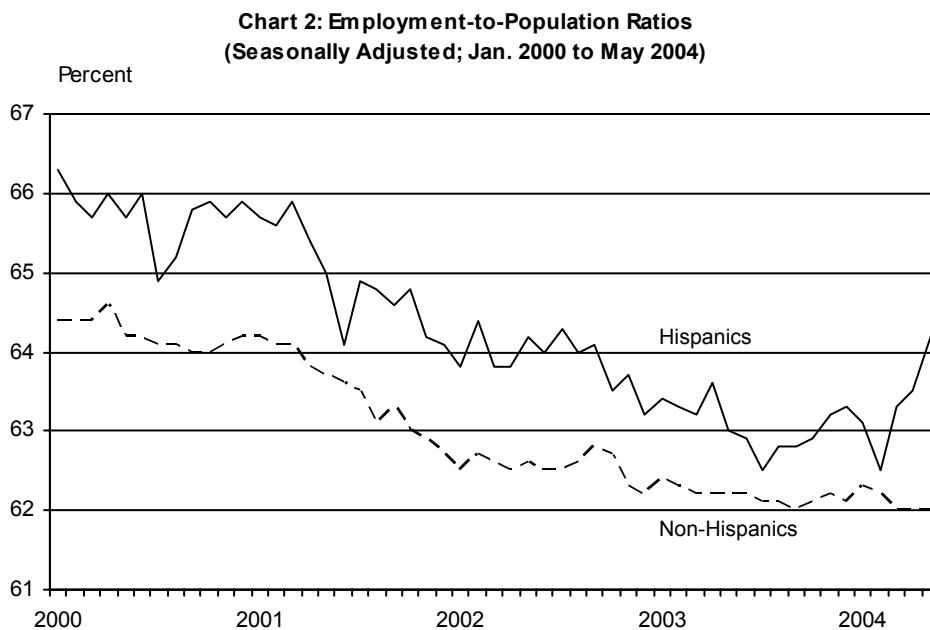
This report tracks the most recent labor market trends for Hispanics with a focus on the period from the first quarter of 2003 to the first quarter of 2004. The evidence shows that Latino workers maintained most of the gains realized in 2003 into the early part of 2004. But while some employment-based indicators are moving in a positive direction, that progress has not translated into wage gains for Hispanic workers. In fact, the earnings of Hispanic workers have slipped backwards in recent years relative to the earnings of other workers.

Perhaps the most closely watched of labor market indicators is the unemployment rate. For Hispanics, the unemployment rate, which was 6.6 percent in December 2003, increased in past few months and stood at 7 percent in May 2004. The opposite was true for non-Hispanics as their rate of unemployment declined from 5.6 percent to 5.4 percent over the same time period. Chart 1 shows the seasonally-adjusted monthly unemployment rate for the two groups of workers starting in January 2000 and ending in April 2004. The Latino unemployment rate in January 2000 was only 5.6 percent and peaked at 8.2 percent in June 2003. It then declined steadily till the end of 2003 but that momentum was lost, in fact reversed, in the first few months of 2004.

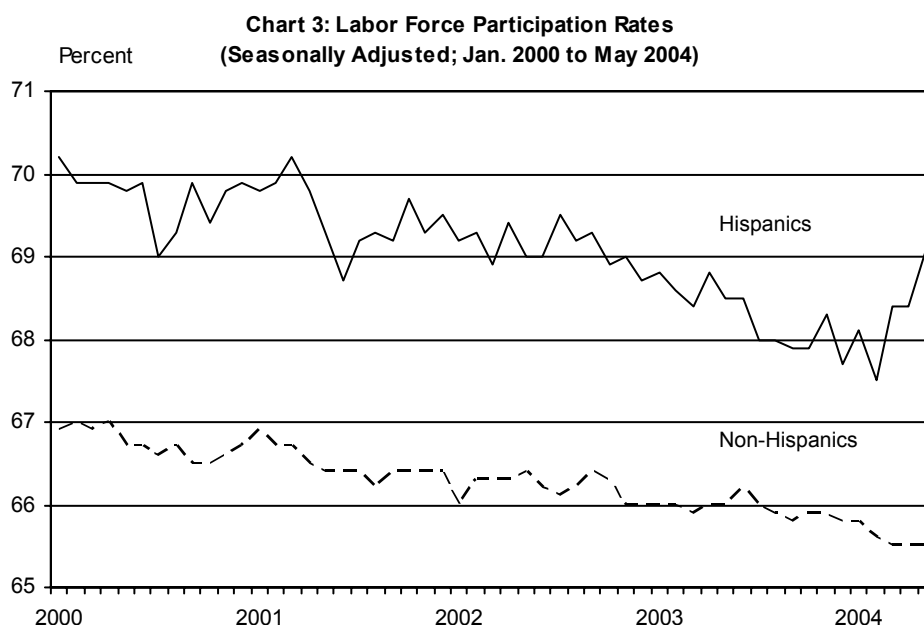
Even though the unemployment rate for Hispanics increased in recent months, employment growth has been sufficient to keep pace with the increase in the Latino working-age population. The proportion of the Hispanic population that is employed, or the employment-to-population ratio, stood at 66.3 percent in January 2000. It then declined steadily and fell to a low of 62.5 percent in July 2003 (Chart 2). The downward trend was apparently stemmed at that point and by December 2003 this proportion had increased to 63.3 percent. The latest estimates show that 64.2 percent of the Hispanic working-age population was employed in May 2004. Thus, the Latino population has held on and begun to build on the gains from 2003, but a fair distance remains before the employment-to-population ratio returns to the level attained prior to the last recession.



Source: Bureau of Labor Statistics. The data for 2000-2003 have been adjusted by the Pew Hispanic Center to account for the effects of the population adjustments in the Current Population Survey in January 2003 and January 2004.



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A factor behind the recent increase in the Latino unemployment rate has been the return of a greater proportion of Hispanics of working-age to the labor force. This proportion, known as the labor force participation rate, had fallen from a high of 70.2 percent in March 2001 to 67.7 percent in December 2003 (Chart 3). As fewer workers seek work, that creates a tendency for the unemployment rate to decline since workers who cease to look for work actively are considered to be out of the labor force and are no longer counted as unemployed. Since December 2003, the labor force participation rate for Latinos has fluctuated somewhat but, on the whole, has shown signs of an increase, reaching 69.1 percent in May 2004. That is a positive development, but as more Hispanic workers return to seek work actively it puts an upward pressure on the unemployment rate. If the labor force participation rate for Hispanics starts rising back to its pre-recession level, even greater pressure can be expected on the unemployment rate for Latinos.

## 2. Changes in Employment in 2003

The positive developments in the past year with respect to the unemployment rate and the employment-to-population ratio are grounded in sizable employment gains for both Hispanic and non-Hispanic workers in 2003. Measuring from the first quarter of 2003 to the first quarter of 2004, the number of unemployed workers in both groups also fell in the last year. However, wages for all workers remained stagnant.

The latest tabulations by the Pew Hispanic Center show large increases in the numbers of Hispanic employed workers as of spring 2004. As shown in Table 1, the improved conditions in the labor market in 2003 translated into jobs for an additional 704,779 Hispanic workers, measured from the first quarter of 2003 to the first quarter of 2004.<sup>6</sup> The increase in Latino

employment over the course of this period slightly exceeded the growth in the Latino labor force. Thus, in the year ending in the first quarter of 2004, 18,590 Latinos also left the unemployment rolls and the unemployment rate for Hispanics declined from 8.5 to 8.1 percent.

The employment gains for Hispanics were notably greater than the prior year's increase of 569,013 (as measured from the first quarter of 2002 to the first quarter of 2003). More strikingly, the number of unemployed Hispanic workers, which fell from 2003 to 2004, had increased by 111,281 from 2002 to 2003, and the Latino unemployment rate had risen from 8.2 percent to 8.5 percent. Thus, comparing these labor-market indicators between the two years, we find that the year concluding in the first quarter of 2004 was a more successful year for Latino workers than the preceding year.

**Table 1: Labor Market Status of Hispanics and Non-Hispanics  
First Quarter, 2002 to First Quarter, 2004 (Non-Seasonally Adjusted)**

	Year and Quarter			Change	
	2002:1	2003:1	2004:1	2002:1 to 2003:1	2003:1 to 2004:1
<b>Hispanics</b>					
Population (Age 16+)	25,527,472	26,630,707	27,699,654	1,103,235	1,068,947
Labor Force	17,608,136	18,288,430	18,974,619	680,294	686,189
Labor Force Participation Rate (%)	69.0	68.7	68.5	-0.3	-0.2
Employment	16,164,583	16,733,596	17,438,375	569,013	704,779
Employment-to-Population Ratio (%)	63.3	62.8	63.0	-0.5	0.2
Unemployment	1,443,553	1,554,834	1,536,244	111,281	-18,590
Unemployment Rate (%)	8.2	8.5	8.1	0.3	-0.4
<b>Non-Hispanics</b>					
Population (Age 16+)	191,380,650	192,999,324	194,616,220	1,618,674	1,616,896
Labor Force	126,619,863	127,016,471	127,389,040	396,608	372,569
Labor Force Participation Rate (%)	66.2	65.8	65.5	-0.4	-0.3
Employment	119,097,940	119,334,052	119,956,617	236,112	622,565
Employment-to-Population Ratio (%)	62.2	61.8	61.6	-0.4	-0.2
Unemployment	7,513,120	7,682,419	7,432,423	169,299	-249,996
Unemployment Rate (%)	5.9	6.0	5.8	0.1	-0.2

Source: Pew Hispanic Center tabulations of Current Population Survey data. Data for 2002 and 2003 have been adjusted to reflect the effects of the January 2003 and January 2004 revisions in the CPS.

The turnaround in employment was even more impressive for non-Hispanic workers. For these workers, employment increased by 622,565 workers from the first quarter of 2003 to the first quarter of 2004. This increase was more than double that of 236,112 non-Hispanic workers for the same period in 2002-2003. Unemployment among non-Hispanic workers also fell by 249,996 in the year coming into the first quarter of 2004, in contrast to an increase of 169,299 in the previous year. After rising in 2002, the unemployment rate for non-Hispanic workers also fell in 2003, from 6 percent in the first quarter of 2003 to 5.8 percent in the first quarter of 2004.

Even as job growth accelerated for non-Hispanic workers, the data in Table 1 show that Latino employment gains were greater than the employment gains for other workers despite the fact that the non-Hispanic labor force is nearly seven times bigger. This is a consequence of



long-term demographic trends that are proceeding in very different directions for the Hispanic and non-Hispanic populations.<sup>7</sup> As shown in Table 1, from the first quarter of 2003 to the first quarter of 2004, the number of Latinos added to the labor force, 686,189, was almost double the number of non-Hispanics, 372,569. Thus, Hispanics were responsible for 64.8 percent of the growth in the labor force in the most recent one-year period. It would not be surprising, therefore, to find that Hispanics captured more than one-half of the total increase in employment. What is notable is that the employment gains for Latinos—704,779 workers—represented only 53 percent of the total increase in employment of 1,327,344 workers. That share of the increase in employment is well below the Hispanic share of the increase in the labor force. In other words, Latino workers captured proportionately less of the emerging job opportunities than the relative growth in their numbers would suggest.

The labor force participation rates and the employment-to-population ratios for both Hispanic and non-Hispanic workers did not change much from the first quarter of 2003 to the first quarter of 2004. For Hispanics, labor force participation was down slightly but a somewhat greater percentage of the population was working at the beginning of 2004 compared to a year prior. Both ratios for non-Hispanics were down slightly over the same time period. Thus, the growth in the labor force and employment generally kept pace with, but did not outstrip, the growth in the working-age population for both groups. The latest data from the BLS, as shown in Charts 2 and 3, show signs of a recovery in these indicators for Hispanic workers. That momentum will have to be maintained into the future if the employment-to-population ratios and labor force participation rates are to return to pre-recession levels for both sets of workers.

Signs of progress are also evident in an alternative indicator of unemployment that encompasses workers normally considered outside of the labor force. This measure, termed U-6 by the BLS, adds workers who are marginally attached to the labor force to the unemployment rate calculated according to the traditional definition. These are workers who may not be actively seeking work at the moment but have looked in the recent past, and wish to work if possible. In addition, persons currently working part time for economic reasons, but desiring and available to work full time, are also added to this alternative measure of unemployment.

**Table 2: The Traditional and Alternative Rates of Unemployment for Hispanics and Non-Hispanics  
First Quarter, 2003 to First Quarter, 2004 (Non-Seasonally Adjusted)**

	Traditional Rate of Unemployment					Alternative Rate of Unemployment				
	2003:1	2003:2	2003:3	2003:4	2004:1	2003:1	2003:2	2003:3	2003:4	2004:1
<b>All Workers</b>	6.4	6.1	6.0	5.6	6.1	11.1	10.6	10.4	10.0	10.8
Hispanics	8.5	7.6	7.8	7.1	8.1	15.8	14.3	14.3	14.3	15.5
Non-Hispanic Whites	5.2	4.9	4.8	4.5	5.1	9.1	8.7	8.5	8.0	9.0
Non-Hispanic Blacks	10.9	11.1	11.2	10.3	10.6	17.0	17.0	17.4	16.2	17.1
Non-Hispanic Others	7.3	7.6	7.2	6.9	6.1	13.0	12.5	12.1	12.0	11.0

Source: Pew Hispanic Center tabulations of Current Population Survey data. In addition to unemployed workers included in the traditional measure, the alternative rate of unemployment includes workers employed part-time for economic reasons, discouraged workers, and other marginally attached workers who are not currently looking for work but have looked in the recent past, and are available for work.

Table 2 shows the traditional and alternative measures of unemployment for each of four major racial/ethnic groups. The alternative indicator of unemployment is much higher than the traditional measure for all racial/ethnic groups. For all groups, both measures of unemployment are either flat or down in the first quarter of 2004 in comparison to the first quarter of 2003. But for both Hispanics and non-Hispanic blacks, the gap between the traditional and alternative rates of unemployment continues to be in the neighborhood of seven percentage points, much higher than the four percentage points gap for non-Hispanic whites. This gap between the two measures of unemployment underscores the ongoing presence of a sizeable contingent of minority workers waiting for labor market conditions to improve. The return of these workers will increase the labor force participation rate and, most likely, the employment-to-population ratio, but it will also exert an upward pressure on the traditional unemployment rate for Hispanics.

### **3. Changes in Employment by Gender, Nativity, and Other Characteristics**

Employment gains for Hispanic workers as of the end of the first quarter of 2004—nearly three-quarters of a million workers compared to the same point in 2003—were not widely distributed across the various segments of the Latino labor force. Gains were concentrated among immigrants, especially those arriving since 2000, and the primarily male workers in the construction industry. These findings are evident in Tables 3 and 4 below. Detailed tables on the Pew Hispanic Center's website ([www.pewhispanic.org](http://www.pewhispanic.org)) present additional data on changes in employment, broken down by characteristic, for Hispanic and non-Hispanic workers.

As demonstrated previously, Hispanic employment from the first quarter of 2003 to the first quarter of 2004 increased by 704,779 workers. Males captured 475,625—or 67.5 percent—of these jobs. That is higher than the 60 percent share of males in total Latino employment. However, job growth for male Hispanic workers slowed down in 2004. After a holiday-season boost in hiring in the fourth quarter of 2003, male Hispanic workers lost 23,397 jobs in the first quarter of 2004. At the same time, female Hispanic workers gained 170,810 jobs, even more than the number of jobs they gained in the previous quarter, despite the usual hiring slowdown after the holiday season.

The construction industry was responsible for 380,492 new jobs, or 54 percent of the total increase in employment for Latino workers over the full calendar year. Recent trends, though, are indicative of a slowdown in job growth for Hispanic workers in construction. In the second quarter of 2003, this industry added 222,457 Latinos to the payroll. But construction declined as a source of new jobs for Hispanic workers as 2003 progressed, and during the first quarter of 2004 the industry provided fresh employment for only 15,551. Whether or not Hispanic employment in construction picks up in the spring and summer quarters of 2004 remains to be seen.

The slowdown in hiring in construction does not appear to have curbed the pace of employment growth for Hispanic immigrants. In fact, those who arrived in the U.S. after 2000 picked up 340,513 new jobs in the first quarter of 2004 alone. That was nearly one-half of the employment increase of 748,305 registered by these immigrants during the one-year period from the first quarter of 2003 to the first quarter of 2004. This increase was larger than the increase of 630,430 new jobs for the entire first generation—the foreign born. That signals a loss in jobs

**Table 3: Changes in Employment by Selected Characteristics of Hispanic Workers  
First Quarter, 2003 to First Quarter, 2004 (Non-Seasonally Adjusted)**

	Employment by Year and Quarter				
	2003:1	2003:2	2003:3	2003:4	2004:1
All Hispanics	16,733,596	17,068,968	16,987,942	17,290,962	17,438,375
Males	10,003,421	10,263,954	10,328,918	10,502,443	10,479,046
Females	6,730,175	6,805,016	6,659,025	6,788,519	6,959,329
First Generation	9,589,789	10,030,114	10,048,198	10,181,451	10,220,219
Year of Entry: 2000 or later	728,248	1,014,271	1,026,974	1,136,040	1,476,553
Construction Industry	1,774,007	1,996,464	2,121,891	2,138,948	2,154,499

	Change Over Prior Quarter				Total Change
	2003:2	2003:3	2003:4	2004:1	
All Hispanics	335,372	-81,026	303,020	147,413	704,779
Males	260,532	64,964	173,525	-23,397	475,625
Females	74,842	-145,991	129,494	170,810	229,154
First Generation	440,325	18,084	133,253	38,768	630,430
Year of Entry: 2000 or later	286,023	12,703	109,066	340,513	748,305
Construction Industry	222,457	125,427	17,057	15,551	380,492

Source: Pew Hispanic Center tabulations of Current Population Survey data. The data for 2003 have been adjusted by the Pew Hispanic Center to account for the effects of the January 2004 revision in the CPS.

for first-generation Hispanics who arrived in the U.S. earlier than 2000. It is also the case that employment gains for the most recently arrived immigrants exceeded even the total increase of 704,779 for all Hispanic workers combined, which suggests that there were job losses among native-born Hispanics. Thus, one cannot rule out the possibility that recently arrived immigrants are competing directly with, and displacing, other immigrant and native-born Hispanic workers.

The relatively superior performance of foreign-born Hispanics is contrasted with the performance of other generations in Table 4 below. The unemployment rate for first-generation Hispanics, starting at 8.6 percent in the first quarter of 2003, declined in each quarter thereafter and fell to 7.5 percent by the first quarter of 2004. Over the same time period, the first generation's employment-to-population ratio rose from 62.2 percent to 63.4 percent. In contrast, the unemployment rate for the second generation — U.S.-born Latinos with at least one foreign-born parent — fluctuated and ended the first quarter of 2004 at 9.4 percent, the same rate it was in the first quarter of 2003. The employment-to-population ratio for the second generation did increase, but by a more modest amount than the increase for the first generation. Also, the proportion of the second generation that is employed, 60.2 percent, is over three percentage points below that of the first-generation population.

**Table 4: Changes in the Employment Status of Hispanic Workers by Generation**  
**First Quarter, 2003 to First Quarter, 2004 (Non-Seasonally Adjusted)**

	Year and Quarter				
	2003:1	2003:2	2003:3	2003:4	2004:1
<b>First Generation</b>					
Employment	9,589,788	10,030,114	10,048,198	10,181,451	10,220,219
Employment-to-Population Ratio (%)	62.2	63.9	64.4	64.1	63.4
Unemployment	907,751	759,055	720,945	656,349	823,729
Unemployment Rate (%)	8.6	7.0	6.7	6.1	7.5
<b>Second Generation</b>					
Employment	2,962,901	3,007,355	2,942,687	3,029,375	3,195,359
Employment-to-Population Ratio (%)	59.7	59.6	57.1	58.4	60.2
Unemployment	309,110	309,258	356,456	335,590	332,737
Unemployment Rate (%)	9.4	9.3	10.8	10.0	9.4
<b>Third Generation</b>					
Employment	4,180,907	4,031,499	3,997,057	4,080,137	4,022,797
Employment-to-Population Ratio (%)	66.9	65.5	62.4	64.2	64.1
Unemployment	337,973	345,433	354,215	326,485	379,778
Unemployment Rate (%)	7.5	7.9	8.1	7.4	8.6

	Change Over Prior Quarter				Total Change
	2003:2	2003:3	2003:4	2004:1	
<b>First Generation</b>					
Employment	440,326	18,084	133,253	38,768	630,431
Employment-to-Population Ratio (%)	1.7	0.5	-0.3	-0.7	1.2
Unemployment	-148,696	-38,110	-64,596	167,380	-84,022
Unemployment Rate (%)	-1.6	-0.3	-0.6	1.4	-1.1
<b>Second Generation</b>					
Employment	44,454	-64,668	86,688	165,984	232,458
Employment-to-Population Ratio (%)	-0.1	-2.5	1.3	1.8	0.5
Unemployment	148	47,198	-20,866	-2,853	23,627
Unemployment Rate (%)	-0.1	1.5	-0.8	-0.6	0.0
<b>Third Generation</b>					
Employment	-149,408	-34,442	83,080	-57,340	-158,110
Employment-to-Population Ratio (%)	-1.4	-3.1	1.8	-0.1	-2.8
Unemployment	7,460	8,782	-27,730	53,293	41,805
Unemployment Rate (%)	0.4	0.2	-0.7	1.2	1.1

Source: Pew Hispanic Center tabulations of Current Population Survey data.

Labor market trends for the third generation—the U.S.-born children of U.S.-born parents—were mostly negative in this time period. For this group, employment fell in all quarters except the fourth quarter of 2003. By the first quarter of 2004, third-generation employment was down by 158,110 workers and unemployment was up by 41,805 in comparison to the first quarter of 2003. Over this period, the proportion of third-generation Latinos who were employed fell from 66.9 percent to 64.1 percent and the unemployment rate increased from 7.5 percent to 8.6 percent.

Native-born Latinos are younger than Latino immigrants and that partially explains their relatively weak performance in the labor market. Less than 15 percent of Latino immigrants in the labor force are age 24 or younger, but 30 percent of second-generation and over 20 percent of third-generation Hispanics in the labor force are in that age group. The labor market has favored older workers since the 2001 recession, to the advantage of the first generation. Other factors that are likely to have favored immigrants include employer preferences, congruence of skills and job openings, wage expectations, geographic mobility, and the existence of family networks as sources of employment information.

The leading role of the construction industry in yielding employment for Hispanic workers was discussed in the previous section. Construction was also an important source of new jobs for non-Hispanic workers, whose employment in the industry increased by 392,404 from the first quarter of 2003 to the first quarter of 2004 (Table 5). There is little evidence, therefore, that Hispanic workers, especially immigrants, have been gaining construction jobs at the expense of non-Hispanic workers, who are primarily native-born.

**Table 5: Changes in the Employment Status of Hispanic and Non-Hispanic Workers in Selected Industries  
First Quarter, 2003 to First Quarter, 2004 (Non-Seasonally Adjusted)**

	Year and Quarter		Change
	2003:1	2004:1	
<b>Hispanic Employment by Industry</b>			
Construction	1,774,007	2,154,499	380,492
Business Services	1,774,561	1,942,060	167,499
Transportation & Warehousing	715,350	821,082	105,732
Personal, Laundry & Private Household Services	483,436	554,593	71,157
Comm., Information, Publishing & Broadcasting	327,282	298,404	-28,878
Educational Services	972,160	938,581	-33,579
Manufacturing - Nondurable Goods	1,158,755	1,107,942	-50,813
Manufacturing - Durable Goods	1,325,890	1,197,826	-128,064
All Industries	16,733,595	17,438,372	704,777
<b>Non-Hispanic Employment by Industry</b>			
Wholesale & Retail Trade	17,597,541	18,301,897	704,356
Construction	7,569,902	7,962,306	392,404
Finance, Insurance & Real Estate	8,339,468	8,653,034	313,566
Public Administration	5,713,837	5,911,917	198,080
Agriculture, Forestry & Fishing, & Mining	2,199,958	2,048,782	-151,176
Eating, Drinking, & Lodging Services	7,174,644	7,009,455	-165,189
Comm., Information, Publishing & Broadcasting	3,386,272	3,190,317	-195,955
Manufacturing - Durable Goods	9,439,284	9,127,444	-311,840
All Industries	119,333,028	119,956,613	623,585

Source: Pew Hispanic Center tabulations of Current Population Survey data.

Table 5 shows the four industries that yielded the biggest employment gains and losses each for Hispanics and non-Hispanics from the first quarter of 2003 to the first quarter of 2004. In addition to construction, major sources of employment gains for Hispanics overall were business services (167,499), transportation and warehousing (105,732) and personal, laundry, and private household services (71,157). Meanwhile, Latino workers suffered job losses in manufacturing of durable goods of 128,064, while non-Hispanic workers in the same industry lost 311,840 jobs. Other industries in which the number of employed Latinos dropped significantly include manufacturing of nondurable goods (-50,813) and educational services (-33,579).

Both groups lost jobs in the communication, information, publishing and broadcasting industry, with Hispanics losing 28,878 jobs and non-Hispanics losing 195,955. Non-Hispanic employment also diminished in eating, drinking and lodging services and agriculture, forestry and fishing, and mining. The principal sources of employment gains for non-Hispanic workers, other than construction, were wholesale and retail trade (704,356), finance, insurance, and real estate (313,566), and public administration (198,080).

The aggregate one-year changes in employment by industry do conceal some trends that suggest a different future for the role of some industries in generating employment gains and losses. It was previously shown, for example, that job creation in construction may be on the wane for Hispanics (Table 3). The detailed tables in the accompanying data appendix show that the same is true for non-Hispanics, who lost construction jobs in the fourth quarter of 2003 and the first quarter of 2004. The appendix tables also reveal that business services, while an important source of new jobs for Hispanics, is not a consistent source, as Latino employment in that industry has fluctuated considerably, alternating gains and losses from one quarter to the next. Educational services and communication, information, publishing and broadcasting appear to be on the cusp of turning into job creators rather than job losers for Hispanics, who gained in both industries in the beginning of 2004. The same can be said of durable goods manufacturing; job losses for Latino workers in that industry were concentrated only in the second quarter of 2003.

#### **4. The Wages of Hispanic Workers**

Has the recovery in job growth translated into growth in wages so far this year? The answer, for most workers, is no. Even as Latinos and non-Latinos have secured jobs in greater numbers than in 2003, real wage growth has either remained slow or decelerated for many workers, despite strong growth in labor productivity in both 2002 and 2003, by historical standards. This is evidence of remaining slack in the labor market.

The mean weekly wage (in 2003 prices) for Hispanics in the first quarter of 2004 was \$504. This was slightly higher than its level of \$500 in the first quarter of 2002. In the intervening two-year period, the mean wage for Hispanics fluctuated, reaching a high of \$520 in the first quarter of 2003. The percentage change in the mean wage from one quarter to the next is shown in Table 7. The average rate of growth in the real mean weekly wage from the first quarter of 2002 to the first quarter of 2004 was 0.15 percent per quarter (or 0.60 percent per annum). However, this average conceals the stark contrast in wage growth between 2002 and

**Table 6: Mean and Median Weekly Earnings in Real Dollars for Hispanics and Non-Hispanics, First Quarter, 2002 to First Quarter, 2004**

Year and Quarter	Hispanics	Non-Hispanics			All Workers
		Whites	Blacks	Others	
Mean Wage					
2002:1	500	725	579	718	681
2002:2	495	723	552	713	676
2002:3	500	721	549	726	676
2002:4	505	720	543	728	675
2003:1	520	716	567	722	674
2003:2	494	726	560	721	677
2003:3	505	722	554	725	675
2003:4	493	727	569	704	677
2004:1	504	728	562	738	681
Median Wage					
2002:1	403	597	477	546	545
2002:2	402	591	473	564	533
2002:3	408	588	448	564	537
2002:4	406	585	459	566	546
2003:1	402	579	476	579	541
2003:2	402	591	468	578	541
2003:3	399	598	460	574	545
2003:4	399	598	478	558	548
2004:1	395	593	474	581	550

Source: Pew Hispanic Center tabulations of Current Population Survey data. All wages are expressed in 2003 prices.

**Table 7: The Change in Real Mean and Median Weekly Earnings for Hispanics and Non-Hispanics First Quarter, 2002 to First Quarter, 2004  
Percentage Change Over the Last Quarter**

Year and Quarter	Hispanics	Non-Hispanics			All Workers
		Whites	Blacks	Others	
Mean Wage					
2002:2	-0.95	-0.29	-4.66	-0.69	-0.76
2002:3	0.96	-0.22	-0.48	1.86	-0.09
2002:4	1.06	-0.07	-1.09	0.30	-0.10
2003:1	2.92	-0.57	4.37	-0.89	-0.10
2003:2	-4.99	1.37	-1.10	-0.06	0.38
2003:3	2.24	-0.60	-1.23	0.48	-0.26
2003:4	-2.38	0.68	2.87	-2.94	0.34
2004:1	2.36	0.21	-1.32	4.95	0.53
Average Rate of Growth	0.15	0.06	-0.33	0.38	-0.01
Median Wage					
2002:2	-0.31	-0.89	-0.89	3.19	-2.20
2002:3	1.34	-0.61	-5.25	0.08	0.73
2002:4	-0.44	-0.44	2.50	0.25	1.64
2003:1	-0.98	-0.98	3.52	2.27	-0.90
2003:2	-0.05	2.00	-1.66	-0.05	-0.05
2003:3	-0.65	1.16	-1.60	-0.65	0.81
2003:4	-0.05	0.02	3.95	-2.83	0.60
2004:1	-0.91	-0.91	-0.91	4.12	0.35
Average Rate of Growth	-0.26	-0.08	-0.04	0.80	0.12

Source: Pew Hispanic Center tabulations of Current Population Survey data.

2003. In the four quarters ending in the first quarter of 2003, the real mean weekly wage grew at a rate of 1 percent per quarter (or 4.1 percent per annum). Since that time, the average rate of growth in the mean wage was -0.69 percent per quarter (or -2.8 percent per annum). Thus, wage gains made by Hispanic workers in 2002 were eroded almost entirely in 2003.

The median wage provides an alternative perspective on earnings. The median is the level that divides the income distribution into two, with one-half of workers earning more and the other half earning less than the median wage. The median is often preferred to the mean wage because movements in the latter can be distorted by changes at either the very low or the high end of the income distribution. It is also useful to compare the growth rates of the mean and median wage because this can reveal the direction in which income inequality is moving for a group of workers. For example, income inequality rises when wages increase for workers in the higher income brackets only. When this happens, the mean wage increases, but the median wage is not affected because the wage at the halfway point of the income distribution is not changed. In more general terms, if the mean wage is seen to increase at a rate faster than the increase in the median wage, it is a signal that income inequality is on the increase, and vice versa.

The real median weekly wage for Hispanic workers fell from \$403 in the first quarter of 2002 to \$395 in the first quarter of 2004. The decline in the median wage was a continuous phenomenon, falling in each quarter except the third quarter of 2002. For the full two-year time period from the first quarter of 2002 to the first quarter of 2004, the average change in the real median weekly wage for Hispanics was -0.26 percent per quarter (or -1 percent per annum). The decline in the median weekly wage was more rapid in 2003, falling at an average rate of 0.42 percent per quarter in comparison to a decline of 0.1 percent per quarter in 2002. The overall reduction in the median weekly wage, when contrasted with the increase in the mean weekly wage, is a sign that income inequality in the community of Latino workers has risen over the past two years.

Wage stagnation also afflicted non-Hispanic white and black workers over the course of 2002 and 2003. However, their experiences differed from those of Hispanic workers in certain details. For non-Hispanic white workers, the mean and the median weekly wages both decreased in 2002 and increased in 2003. For instance, the real mean weekly wage started at \$725 in the first quarter of 2002, fell to \$716 by the first quarter of 2003, and increased to \$728 in the first quarter of 2004. A similar pattern emerges for the real median weekly wage for non-Hispanic whites. For non-Hispanic blacks, the mean and the median wage both declined in each of the two years. The decline in the real mean weekly wage for non-Hispanic blacks, from \$579 in the first quarter of 2002 to \$562 in the first quarter of 2004, contrasts with the overall increase in the mean wage for all other groups of workers. Wage growth was respectable for only one group of workers—non-Hispanic others. The mean wage for these workers, primarily of Asian origin, increased in both 2002 and 2003 and averaged a growth rate of 0.38 percent per quarter, or 1.53 percent per annum, for the entire period. The median wage for non-Hispanic other workers grew even faster, 0.8 percent per quarter, indicating a trend towards greater equality in the income distribution for these workers.



**Table 8: Real Mean Weekly Earnings for Hispanics and Non-Hispanics by Selected Characteristics, Annual Averages, 2001 to 2003**

	Real Mean Weekly Wages in Dollars			Change Over Last Year (Percent)	
	2001	2002	2003	2002	2003
<b>All Hispanics</b>	497	500	502	0.60	0.40
Males	545	553	547	1.47	-1.08
Females	431	430	436	-0.23	1.40
First Generation	456	456	465	0.00	1.97
Year of Entry: 2000 or later	---	369	381	---	3.25
Construction Industry	532	527	527	-0.94	0.00
Less than High School	365	365	369	0.00	1.10
College degree	881	874	885	-0.79	1.26
<b>All Non-Hispanics</b>	692	700	702	1.16	0.29
Males	820	825	829	0.61	0.48
Females	558	559	572	0.18	2.33
First Generation	744	741	744	-0.40	0.40
Year of Entry: 2000 or later	---	649	610	---	-6.01
Construction Industry	736	737	752	0.14	2.04
Less than High School	329	338	340	2.74	0.59
College degree	1,034	1,038	1,031	0.39	-0.67

Source: Pew Hispanic Center tabulations of Current Population Survey data. All wages are expressed in 2003 prices. Due to changes in the classification of industries in 2003, the construction industry data for 2003 are not strictly comparable to the data for 2001 and 2002. The rate of change in wages for Hispanics entering the U.S. after 2000 is computed over the 2002-2003 time period only.

How did the growth in wages for Latinos compare across different segments of the Hispanic population? Did males and construction workers, who appeared to be in high demand in recent years, receive higher than average wage gains? The answers to these and related questions are provided in Table 8. Due to limitations in the sample size of the Current Population Survey data on wages, Table 8 contains data on an annual basis only.<sup>8</sup> Thus, the time periods referred to in Table 8 and the discussion below differ from those in and with respect to Table 7.

For all Hispanics combined, the annual average weekly wage (in real terms) climbed modestly from \$497 to \$502 between 2001 and 2003. However, for males and workers in the construction industry, wage growth during this time was well below average. The average weekly wage for male Latinos increased from \$545 to \$553 between 2001 and 2002 but then fell to \$547 in 2003. For those in construction, the average weekly wage decreased from \$532 in 2001 to \$527 in 2003. The experience of non-Hispanic males and non-Hispanic construction workers was better. Most notably, the real weekly wage for non-Hispanics in construction increased by 2 percent in 2003.

Despite the setback for Latino males and construction workers, they are among the highest paid Hispanic workers covered in Table 8. Their mean weekly wage of \$527 was well above the average of \$502 for all Hispanics in 2003. Females (\$436), first-generation workers (\$465), and Hispanics who entered the U.S. after 2000 (\$381) earn below average wages.

However, wage growth for these workers was above the average rate of growth for all Hispanics combined in recent years. Non-Hispanic immigrants, especially those arriving after 2000, did not fare well in terms of wage growth in 2002 or 2003.

The data in Table 8 show that on average Hispanics were earning only 70 cents to the dollar in comparison to non-Hispanics in 2003. Much of this gap is due to the fact that Latino workers are not as well educated. When Hispanics with a college degree are compared to non-Hispanics with a college degree, it is seen that the Hispanics' weekly wage in 2003 (\$885) was 86 percent of the non-Hispanics' weekly earnings. And Hispanics with less than a high school education actually earned more than non-Hispanics with the same level of education in 2003—\$369 per week for Hispanics in contrast to \$340 per week for non-Hispanics. But because there are so many more Hispanic workers without a college education, the overall Hispanic wage is only 70 percent of the wage earned by the average non-Hispanic worker. The key to shrinking this gap is to raise the education level of the Latino community.

## Conclusions

Employment of Latino workers increased in three out of the past four quarters for a total gain of nearly three-quarters of a million new hires. The surge in hiring is a consequence of three quarters of relatively strong output growth in the U.S. economy. As has been the case in recent years, Hispanic employment gains exceeded the gains of non-Hispanic workers. But that is merely a reflection of the fact that the Hispanic labor force is growing much more rapidly than other segments of the labor force. In fact, non-Hispanic workers captured proportionally far more jobs than one would anticipate based on their share of the increase in the labor force. The increase in employment of non-Hispanic workers for the year ending in the first quarter of 2004 was also over twice the increase in same period a year earlier.

The construction industry, which has been a major contributor to the growth in national output, was also a major source of new jobs for Latino and non-Latino workers. However, the industry's contribution to employment growth has diminished in each of the past three quarters and it added only slightly more than 15,000 Latinos to its employment rolls in the first quarter of 2004. Despite this slowdown, Hispanic immigrants, especially those who arrived after 2000, have continued to secure jobs in impressive numbers, suggesting that they have found employment opportunities in other industries. Those industries include hospital and health services, educational services and eating, drinking and lodging services. There are also signs of job growth recovery for Hispanics in durable goods manufacturing.

The overall gains in national output, productivity, and employment have not delivered higher wages. The rapid growth in the labor force, a sizeable contingent of workers waiting on the fringes of the labor market, and below-average education level are among the factors that have suppressed wage growth for Latino workers. The median weekly wage for Hispanics has declined in all but one of the past eight quarters. This performance compares unfavorably with that of other workers. The median wage of Hispanic workers has not only slipped backwards in recent years on an absolute basis, but also in comparison to the national median wage. The surest route to shrinking the wage gap for the long term is to improve upon the education of Hispanic workers.

### The Change in Employment of Citizens and Non-citizens

The analysis in the paper has shown that most of the employment gains realized by Hispanics in 2003 were captured by immigrants, especially those arriving in the country since 2000. That raises the possibility that many of the new jobs have been filled by non-citizens, a development that would mute the political impact of the gains in employment in 2003. The table below shows the changes in employment and the working-age population of citizens and non-citizens in all states combined and in the 18 so-called "battleground states." The period of analysis is the first quarter of 2003 to the first quarter of 2004.

	Employment			Population (age 16+)		
	2003:1	2004:1	Change	2003:1	2004:1	Change
<b>All States</b>						
All Workers	136,067,647	137,394,983	1,327,336	219,630,024	222,315,868	2,685,844
Citizens	124,672,257	125,621,097	948,840	201,524,796	203,826,200	2,301,404
Non-citizens	11,395,390	11,773,886	378,496	18,105,228	18,489,668	384,440
<b>Battleground States</b>						
All Workers	47,243,184	48,221,694	978,510	76,489,511	77,827,297	1,337,786
Citizens	44,548,017	45,316,090	768,073	72,348,186	73,317,072	968,886
Non-citizens	2,695,167	2,905,604	210,437	4,141,325	4,510,225	368,900
<b>Percentage Non-citizen</b>						
All States	8.4	8.6	28.5	8.2	8.3	14.3
Battleground States	5.7	6.0	21.5	5.4	5.8	27.6

The table shows that, for all states combined, 378,496 of 1,327,336 new jobs were captured by non-citizens. Gains among recently-arrived Hispanic immigrants alone were larger than this number but those gains were counterbalanced by losses among immigrants, Hispanic and non-Hispanic, who arrived prior to 2000. Thus, non-citizens' share of the total increase in employment in 2003 was 28.5 percent, even though their share of the increase in the working-age population was only 14.3 percent. The 28.5 percent share in employment gains is also well in excess of the 8.6 percent share of non-citizens in overall employment.

The tale in the battleground states is similar, albeit somewhat less favorable for non-citizens. The total increase in employment in the battleground states was 978,510, of which 210,437 workers were non-citizens. Thus, non-citizens accounted for 21.5 percent of the employment increase in the battleground states, in contrast to their share of only 6 percent in overall employment in these states.

It is worth noting that, aside from the issue of citizenship, the battleground states represent approximately 35 percent of the overall employment and working-age population in the U.S. But these states accounted for nearly 75 percent of the increase in employment in the U.S. in 2003, 978,510 workers out of the total increase of 1,327,336. Job creation fueled an influx of non-citizens to these states in 2003. Over 90 percent of the total increase in the working-age population of non-citizens, or 368,900 persons out of 384,400, migrated to battleground states in 2003.

### **The Effect of January 2004 Revisions in the Current Population Survey**

In January 2004, the U.S. Census Bureau made a downward adjustment to the population controls in the Current Population Survey. This adjustment was based on revised estimates of net international migration from 2000 to 2003. According to a note released by the BLS (“Adjustments to Household Survey Population Estimates in January 2004”), the cumulative effect of this adjustment was to reduce the estimate of the Hispanic working-age population by 583,000, the Hispanic labor force by 446,000 and the number of employed Hispanics by 421,000. The BLS has also published a methodology that can be used to estimate the effects of the January 2004 revisions on previously published data series for the intervening months in the 2000 to 2003 time period (see “Creating Comparability in CPS Employment Series,” by Marisa L. Di Natale). That methodology was applied to make revisions to estimates of the Hispanic population, labor force and employment in 2003 and earlier years. The latest revisions to the CPS population controls are based on revised estimates of net international migration. In principle, that means some of the revision could be attributed to emigration by second and third generation Hispanics. However, that effect is assumed to be negligible in the current analysis and the full extent of the CPS revision was assumed to apply to first-generation Hispanics arriving in the U.S. since 2000, all of whom are assumed to be non-citizens. Previously computed distributions of the Hispanic first generation by education, age, industry, occupation, etc. were then utilized to distribute the total change in the Hispanic population along these dimensions.

The January 2004 revisions also affected estimates of the non-Hispanic population. However, those revisions were very small in proportion to the working-age population of non-Hispanics and were ignored for the purposes of this paper.

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## Endnotes

<sup>1</sup> The terms Hispanic and Latino are used interchangeably in this report.

<sup>2</sup> All of the data in this report come from the Current Population Survey, a monthly survey of approximately 60,000 households conducted by the Census Bureau for the Bureau of Labor Statistics. The CPS contains detailed information on the demographic characteristics and labor market status of respondents.

<sup>3</sup> The terms “jobs” and “employment” are used interchangeably in the report although they are not necessarily the same—a single worker can hold more than one job and a job can be filled by more than one worker.

<sup>4</sup> The 18 battleground states are as follows: Florida, New Mexico, Wisconsin, Iowa, Oregon, New Hampshire, Minnesota, Missouri, Ohio, Nevada, Tennessee, Pennsylvania, Maine, Michigan, Arkansas, Washington, West Virginia and Arizona.

<sup>5</sup> The experiences of Hispanic workers during the recession and in the subsequent jobless recovery were documented in two recent reports by the Pew Hispanic Center: “Jobs Lost, Jobs Gained: The Latino Experience in the Recession and Recovery” (October 2003) and “Latino Labor Report, 2003: Strong but Uneven Gains in Employment” (February 2004).

<sup>6</sup> The choice of a quarter as the unit of time permits the gathering of a larger sample size as it brings together three months of data from the Current Population Survey. That is useful for the analysis of Hispanic workers by detailed characteristics. In comparison to monthly data, the choice of a quarter also dampens, even if it does not eliminate, the seasonal fluctuations that are an inevitable part of the behavior of most labor market variables. The data for 2003 have been adjusted to account for the effect of the revisions in the CPS introduced in January 2004.

<sup>7</sup> These dynamics were discussed in detail in the Pew Hispanic Center report of October 2003 titled “Jobs Lost, Jobs Gained: The Latino Experience in the Recession and Recovery.”

<sup>8</sup> The Current Population Survey collects wage data from only one-fourth of its sample. This makes the sample size for detailed categories of Hispanic workers a bit small for quarterly analysis. By aggregating the sample over the full calendar year it becomes feasible to tabulate wage data for Hispanics by industry, occupation, etc. Detailed tabulations on the wages of Hispanic workers are provided in the data appendix to this report.

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